

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 SS-15 STR-01 OMB-01 CEA-01 PA-01 PRS-01

USIA-06 CIAE-00 COME-00 FRB-01 INR-05 NSAE-00 XMB-02

OPIC-03 LAB-04 SIL-01 FPC-01 FEAE-00 /075 W

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R 182204Z DEC 74

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 6208

TREASURY DEPT WASHDC

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E.O. 11652: NA

TAGS: EFIN CO

SUBJECT: IBRD COUNTERPART PROBLEMS

1. AT YEARS END, IBRD CONTINUES TO EXPERIENCE CONSIDERABLE DIFFICULTY IN MOVING FORWARD ON LOAN DISBURSEMENTS FOR THE CHIVOR ONE POWER PROJECT FINANCED IN PART BY IBRD LOAN OF \$52 MILLION. DISBURSEMENT REMAINS SUSPENDED BY GENTLEMEN'S AGREEMENT. THAT IS, GOC HAS AGREED NOT TO REQUEST FURTHER DISBURSEMENT UNTIL ITS COUNTERPART FINANCING PROBLEMS HAVE BEEN RESOLVED. THIS WEEK GOC SENT A TEAM HEADED BY MOSQUERA, DIRECTOR OF PUBLIC CREDIT FINANCE MINISTRY TO WASHINGTON TO DISCUSS POSSIBLE ALTERNATIVE SOLUTIONS WITH IBRD OFFICIALS. LOCAL RESIDENT REPRESENTATIVE ALSO PARTICIPATING IN WASHINGTON DISCUSSIONS.

2. THE MAIN ISSUE, AS WE UNDERSTAND IT, IS THAT IBRD HAS SERIOUS RESERVATIONS ABOUT THE FOUR COLOMBIAN POWER COMPANIES ABILITY TO MEET INCREASED PESO REQUIREMENTS THIS YEAR AND SUBSTANTIAL PESO CONTRIBUTION FOR NEXT YEAR UNLESS POWER COMPANIES AUTHORIZED BY GOC TO:
(A) INCREASE UTILITIES RATES (B) INCREASE DOMESTIC AND/

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OF FOREIGN BORROWING, (C) SELL BONDS AND/OR (D) INCREASE

PESO TRANSFERS FROM CENTRAL GOVERNMENT BUDGET. PROJECT HAS EXPERIENCED A 40 PERCENT INCREASE IN COSTS OR CLOSE TO \$50 MILLION IN ADDED EXPENDITURES. ALL BUT \$11 MILLION OF THIS ADDED COST HAS BEEN COVERED BY ANOTHER LOAN FROM THE IDB. SIX MILLION DOLLARS IN COUNTERPART WAS DUE ON AUG 31, 1974 AND \$12 MILLION MORE IS DUE BETWEEN SEPTEMBER AND DECEMBER. THE IBRD ESTIMATES THAT FOR CALENDAR YEAR 1975 THE FOUR POWER COMPANIES WILL NEED AN ADDITIONAL \$40 MILLION IN COUNTERPART CONTRIBUTIONS FOR THEPROJECT TO MOVE AHEAD ON SCHEDULE.

3. SO FAR THE IBRD HAS TAKEN THE POSITION THAT SINCE THE GOC HAS GUARANTEED THE LOAN IT IS UP TO THE GOC TO MAKE UP FOR ANY SHORT-FALLS IN LOCAL CURRENCY COUNTERPART ON THE PART OF THE FOUR PARTICIPATING POWER COMPANIES. IBRD BELIEVES THAT IF THE CHIVOR ONE PROJECT BECOMES BOGGED DOWN OVER THE NEXT 18 MONTHS, THERE COULD BE A MAJOR POWER SHORTAGE IN COLOMBIA IN THE NOT TOO DISTANT FUTURE.

4. COMMENT. WE BELIEVE IBRD TAKING THE RIGHT APPROACH WITH GOC ON THIS PROBLEM. IT IS OUR UNDERSTANDING THAT IDB EXPERIENCING SAME TYPE OF COUNTERPART PROBLEM ON THEIR INFRA-STRUCTURE PROJECTS. LACK OF COUNTERPART IS NOT A NEW PROBLEM FOR IFI'S IN COLOMBIA. THEIMPORTANT THING IS HOW THE NEW LOPEZ GOVERNMENT RESOLVES THE PROBLEM. CONTINUED RELUCTANCE BY THE GOC TO COME UP WITH ITS COUNTERPART CONTRIBUTIOSN FOR INFRA-STRUCTURE PROJECTS WOULD SUGGEST A NEED TO RE-EVALUATE THE POLICY OF CONTINUING TO PROPOSE AND FINANCE THESE PROJECTS IN THE FUTURE.

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, EXPENDITURES, LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: elyme
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BOGOTA11140
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740369-0517
From: BOGOTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741227/aaaaawqh.tel
Line Count: 91
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 11 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 SEP 2002 by boyleja>; APPROVED <18 MAR 2003 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IBRD COUNTERPART PROBLEMS
TAGS: EFIN, CO
To: STATE TRSY
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005